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ABSTRACT

The financing of vocational education and training (VET) in the Netherlands was examined through an analysis of the following: economic, political, legal and administrative context of financing of the VET system; public and private funding of initial and continuing VET; funding of training for unemployed individuals; and the future of VET financing in the Netherlands. Between 1986 and 1996, both public and private funding of VET in the Netherlands increased by 55%. As part of a policy directed toward ensuring sufficient or improved training quality while reducing costs, the following changes have either already occurred in the Dutch system of delivering and funding VET or else are slated to occur soon: consolidation of the small, highly diverse schools offering initial vocational training into larger training centers; transition to a system of funding based on program quality and performance targets; delegation of responsibility of providing training for the unemployed to corporate bodies or municipal governments; and increase in the share of funds allocated for specific programs with specific targets. Whether these changes will improve the quality and efficiency of Dutch VET remains to be seen. (Eleven tables/figures are included. Appended are a glossary of acronyms and 16 references.) (MN)

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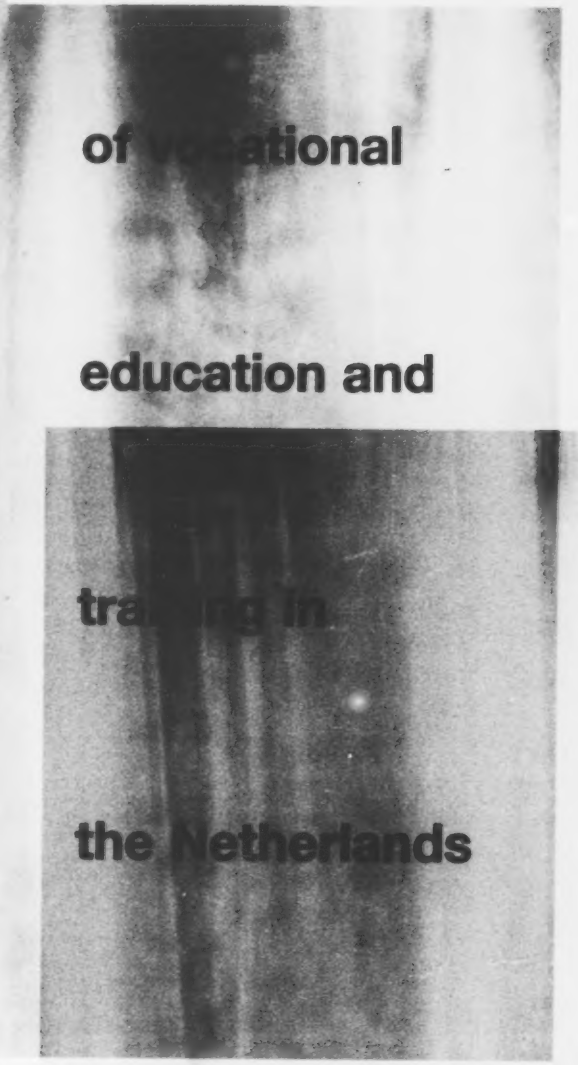

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Financing portrait

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The financing of vocational education and training in the Netherlands

Financing portrait

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Foreword by
Sarah Elson-Rogers/Sven-Åge Westphalen

At the end of 1997, CEDEFOP launched a project to produce financing portraits of the vocational education and training (VET) systems within the individual Member States of the European Union. The portraits combine a qualitative description of the flow of funding through the VET structures, identifying the funding sources and allocation mechanisms, with quantitative data on expenditure for different training types. The reports are structured around initial vocational training, continuing vocational training and training for the unemployed. In recognition of the increasing overlap among these training types, some of the reports include an extra section on combined forms of training.

At the outset of the project, CEDEFOP asked the individual national authors to follow a uniform structure for the presentation of their financing training systems. This structure centred on the following issues with regard to initial and continuing vocational training and training for the unemployed:

- outlining the economic, political, legal and administrative background to the financing of the VET system;
- defining the different types of training according to the national context;
- identifying the funding sources (e.g. European Union, central government, regional/local government, employers, individuals, etc.);
- explaining the mechanisms for the distribution of funding;
- identifying the expenditure levels over 10 years (1986-1996 or the most recently available years);
- concluding and discussing the trends and perspectives of the financing VET system.

The authors were requested, where possible, to distinguish between private/public and direct/indirect funding sources and to identify capital and revenue funding. They were also asked to provide a breakdown of expenditure according to the different sources of funding for each training type.

While defining a common structure for each report allows for broad comparisons between the different systems and easier cross-referencing between the reports, it does not allow for detailed trans-national comparisons. It was acknowledged at the outset of this project that creating comparable reports would not be possible for a number of reasons, including:

- Training definitions: initial vocational training, continuing vocational training and training for the unemployed mean something different within individual national contexts. While creating a 'standard' definition of each training type would have facilitated comparability, it would have complicated the process of gathering and presenting data. For this reason, each author was requested to use a nationally-based definition.

- Data: there are a number of general obstacles to obtaining comparable data, for example: the lack of common definitions, different national accounting procedures and the problems of identifying expenditure where funding sources are diverse and estimates are based on surveys. More specific obstacles include the difficulty of aggregating data where funding is decentralised and estimating indirect sources of expenditure.

A number of barriers to achieving even basic common parameters arose as the work developed. Among others, these included:

- The increasing overlap between the traditional training categories. In some countries the division between the different training types is not as strict as in others. This means that some artificial divisions have had to be drawn by some of the authors, for example, between academic and vocational training. While this particular overlap may be, in part, the result of a general policy aim to level parity of esteem, it creates challenges in disaggregating data to identify expenditure on the vocational element. The notion of Lifelong Learning also has implications for creating more coherent training structures which include a wider range of learning activities. It is often difficult to identify and measure expenditure data on training which takes place outside of the formal structure.
- The complexity of financing training structures in terms of the number of different funding sources and mechanisms for financing VET. For example, levels of expenditure on indirect demand-side incentive mechanisms such as tax incentives are often difficult to identify. More fundamentally, this general complexity is enhanced in those countries where there is no national structure for training, e.g. where local governments have a high level of responsibility for financing training.
- The number of recent reforms to the financing VET system blur data comparability over time within individual Member States. In addition, the newness of many of these reforms mean that there is often a lack of stringent evaluation according to efficiency, effectiveness and equity criteria.

There was no ideal way to create common criteria for the structure of this series of reports. There is a certain trade-off between attaining a common structure and reflecting the nuances of the individual national training systems. Nevertheless, this first set of portraits does serve to highlight many of the complexities involved with the financing of vocational education and training across the European Union. We hope you find the portraits informative and welcome your comments.

We would like to thank Dr. Clemens Romijn at ITS (Instituut voor Toegepaste Sociale wetenschappen), who prepared this portrait on the financing of vocational education and training in the Netherlands.

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Preface by the authors

This CEDEFOP financing portrait gives an outline of the flows, mechanisms and volumes of human resources investment in the Netherlands. The description is given following a structure, laid down by CEDEFOP. Two categories of financing information have been requested on initial vocational training, continuing vocational training and training for the unemployed. First, information of a qualitative/descriptive nature was requested. This information concerns the background to the three training types to be discussed in the report, and the political and economic context currently prevailing in the Netherlands. Information was also requested on the way in which money flows through the training structure in terms of the sources of funding and the way in which the funding is distributed. Secondly, CEDEFOP requested the provision of quantitative data on the sources and amounts of funding - whether direct or indirect - which are available for each of the three training types.

As was requested by CEDEFOP, this report is broadly structured as follows:

1. An outline of the political and economic background in the Netherlands.
2. Background information and an explanation of the sources of funds, estimates of expenditure and an explanation of the distribution mechanisms as well as some concluding comments on:
   - initial vocational training
   - continuing vocational training
   - training for the unemployed.
3. Future trends and perspectives for the financing of vocational education and training (VET) in the Netherlands.

For countries where some of these training types have been combined, it was possible to include a further section on combined training types. As these schemes do not exist in the Netherlands, this section was omitted.

Before moving on to the main text, it is important to outline in general terms what is meant by initial vocational training (IVT), continuing vocational training (CVT) and training for the unemployed within the Dutch context. In addition, further information on the approach and method used for finding and agreeing the information within the Dutch context will also be outlined.

Description of the training types

Initial Vocational Training

Initial Vocational Training (or MiddelbaarBeroepsOnderwijs/Senior Secondary Education as it is called in the Netherlands) consists of two different learning routes. The first route comprises mainly apprenticeship schemes. The second route comprises predominantly school-based learning. Participation in IVT can lead to four different levels of qualification: *assistant, basic trade practitioner, trade professional and middle-management professional.* More detail can be found on these levels within the background to the section on IVT.

There are more than 500 training programmes concerned with IVT. These programmes are provided by Regional Training Centres (Regionale OpleidingsCentra - ROC), Vocational Institutes (Vakscholen) and Agricultural Training Centres (Agrarische OpleidingsCentra - AOC). Most programmes are provided by ROCs. ROCs are large multi-sectoral institutes, which are, for the most part, publicly financed.

Two different educational types predominantly serve as an inlet into senior secondary vocational education. These are (a) preparatory vocational education (Voorbereidend BeroepsOnderwijs), and (b) junior-general secondary education (Middelbaar Algemeen Voortgezet Onderwijs). When these 'inlets' are taken into account, IVT is offered to pupils within the 12-19 years age-range.

Continuing Vocational Training

With respect to *continuing vocational training for the employed (scholing voor werkenden)* a distinction can be made between external training (adult training provided by public ROCs, but mostly private training providers) and internal training (provided within the enterprise). With respect to private training providers, approximately 200 formally recognised training institutes exist (Hövels and Kraayvanger, 1998) - although many more private institutes exist which are not formally recognised. Employer sponsored training is not organised in any consistent way. The learning routes that exist for continuing training for the employed are highly diverse. There is public funding of CVT provided for the employed, direct as well as indirect (through benefits and tax-measures).

Training for the Unemployed

Training for the unemployed (scholing voor werkzoekenden) is predominantly within the public sector: it is the joint responsibility of the Ministry of Social Affairs and the Central Employment Service (Centraal Bureau Arbeidsvoorziening). In the Netherlands there are training centres specifically designed for the unemployed - these will be described in the relevant section. These training centres - as well as the Employment Service as a whole - are increasingly concerned with improving the chances on the labour market of people

who are difficult to employ. In the current quite favourable domestic economic climate, other 'target groups' are expected to find their own way into the labour market. Training for the unemployed is available to those who are registered with the Employment Service. In the Netherlands, the qualifying condition for unemployment is to be immediately available for work for 12 hours or more per week.

Approach to the project

Our approach to compiling this portrait has consisted of three elements:

1. We have made use of quantitative data sources provided by the Dutch Central Bureau of Statistics (Centraal Bureau voor de Statistiek - CBS). The Bureau offers an online service via the Internet that allows the user to design his/her own tables and cross tabulations using the Bureau's data sources. This service enabled us to find the general economic data and the volume of financing for IVT in 1986. Furthermore, we have used overviews of expenditure issued by the various central government departments and the Central Employment Service (Centraal Bureau Arbeidsvoorziening) that are involved in VET funding. Through these means, we were able to establish the volumes of funding for initial vocational training in 1991 and 1996 as well as the relevant data on training for the unemployed.

2. We have consulted a number of review studies to assist in the description of the background to each of the training types as well as the relevant distribution mechanisms. With respect to initial vocational training, we have consulted a policy document issued by the department of Education, Science and Culture in 1996, called 'financing models for vocational training (Bekostigingsmodel Beroepsonderwijs)'. In this document several current and future funding policies with respect to IVT are presented and discussed. We have also consulted two studies on continuing vocational training (CVT). One was conducted by CBS (CBS, 1995) and concerns the expenditure of individual companies on the training of their personnel. The other is a study on one of the more dominant funding sources for CVT in the Netherlands, the so-called 'development and training funds' or O+O funds (Waterreus, 1997). These studies have provided an insight into the amount of private funding for CVT. Data concerning the private funding of IVT were obtained from the overviews of expenditures issued by the Ministry of Education, Science and Culture (Ministerie van Onderwijs, Cultuur en Wetenschappen).

3. We have also consulted two experts outside our institute and have asked them for comments on draft versions of this report. We consulted the head of the Max Goote Kennis Centrum, a consultant with Cinop as well as the Dutch members of the CEDEFOP Management Board.

Regarding our approach to the project, we would like to draw attention to two points. First, the method for identifying financing data has resulted in a systematic underestimate of the real amount of funding. This is because overviews of central government departments' expenditure do not - or only in a very limited way - give data on capital funding. Furthermore data on volumes of VET funding from local/regional governments are not available in any systematic way. Secondly, much of the information contained in this report has been gained from existing work, which has undergone peer-reviews. While this has meant that there is sufficient and proven consensus on its validity within the Dutch context, it is somewhat limited in scope.

In the near future, the quality of the data on funding of educational activities might be significantly improved as the Dutch Central Bureau of Statistics has made a financial overview of all the relevant private and public (recurrent and capital) funding of the main educational activities in the public sector within the Netherlands. However, as a means to boost the reliability of their data, the CBS has made no distinction between general secondary education and initial vocational training, making the data unusable for the purposes of this report. It is likely that the CBS will disaggregate the data in the future.

I would like to thank Ms Sarah Elson-Rogers for the assistance she has provided in reviewing the information within this report.

The ECU exchange rate used in this report is 2.22 Dfl to 1 ECU (the fixed rate since May 1998).[1]

[1] Since the introduction of the Euro from 01/01/99, the exchange rate is 2.20 Dfl to 1 EUR.

Part 1: Background information

1.1 Economic context

There are five economic indicators presented in the tables below. These are gross domestic product (GDP at market prices), employment and unemployment rates, data on public debt and inflation levels in terms of consumer price indexes between 1991 and 1996.[2]

As can be seen, GDP has been growing steadily since 1986 and unemployment figures have been declining, following an increase during a period of impeded economic growth in 1992/1993. Public debt, as a%age of GDP, was rising until 1993; after this time a decline occurred. In recent years public debt has continued to grow but at a lower rate than before 1993, partly due to an increase in GDP.

Inflation has declined from approximately 3.1% in 1991 to around 2.2% in 1997. Lastly, the number of 'active' employed persons as a%age of the Dutch population has been rising. This increase is due to an expansion of part-time as well as full-time employment. If the growth in employment were expressed as full-time equivalents, the increase in employment outlined below would be overstated.

Table 1: GDP in Market Price: ECUs in brackets (X million)

Year	GDP in DFL	ECU equivalent	% increase relative to 1986
1986	455,433	(205,150)	0%
1991	528,278	(237,963)	15.9%
1995	573,255	(258,222)	25.8%
1996	591,973	(266,654)	29.9%
1997	611,813	(275,591)	34.3%

[2] All of these tables have been created using information from the CBS database.

Table 2: Unemployment and Employment Rates

Year	Unemployment rate%	Employment rate expressed as a% of employed 15-64 year olds as a% of the Dutch population as a whole
1986	8.6%	49% (1985)
1991	5.4%	56%
1995	7.0%	58%
1996	6.6%	59%
1997	5.5%	-

Table 3: Public Debt in absolute monetary terms and relative to GDP (X million)[3]

Year	Public Debt in DFL	ECU equivalent	% of GDP
1986	355,219	(160,008)	77.9%
1991	448,206	(201,894)	84.8%
1995	465,075	(209,493)	81.3%

Table 4: Indexed Consumer Prices[4]

Price Index	1991	1995	1996
	100	113.6	115.6

This more favourable domestic economic climate over recent years followed a recession in the early 1980s.

1.2 Political context

Since the early 1980s (in response to an economic crisis), a number of measures have been introduced by the government to make its activities leaner and more effective. These measures have included decentralising certain aspects of its authority to regional and local institutions and authorities. Through such measures, the Dutch government has tried to reduce significantly its influence in society and give organisations at local and regional levels more responsibility to operate and deal with issues that concern them more directly. The Dutch government has followed one of the more common models of decentralisation.

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[3] Figures for 1996 and 1997 are not available within the CBS database.
[4] Due to changes in the calculation, pre-1991 figures are not comparable.

In this model, framework policies are established by central government, while local and regional bodies determine the operational policy that is to be followed.

In addition to decentralisation, a large number of mainly executive branches of government have been privatised (these services are now being run by private sector operators) or corporatised (that is that public sector training services have been encouraged to run according to private sector type rules). At the same time as the moves towards the privatisation/corporatisation of traditionally public sector institutions and decentralisation from central government, significant cuts in public spending have been achieved.

An example of the nature of reforms that have occurred in the Netherlands is in the area of Labour Management. At the central level, government withdrew from the Central Labour Management Board while at the regional level (the Boards of the Regional Employment Service, Regionale Bureaus arbeidsvoorziening) tripartite management by regional government and the social partners remains. As part of this decentralisation process, authority for training expenditure for the unemployed is currently being delegated to the municipal level. Significant savings have also been made through the reduction in the number of Regional Labour Management Boards from 28 to 15.

While there has been a general retreat of the government in Dutch society as a whole, initial vocational training has virtually remained the responsibility of central government. As a corollary, the government remains primarily responsible for adequately funding the IVT structures. Since 1996, however, the funding system for IVT has changed significantly. A system is being implemented whereby regulatory government policies are being replaced by indirect steering instruments. In other words, policies are being introduced which act as an incentive for training institutions (ROCs, AOCs and Vakscholen) to meet a certain standard. The overall target in this change is to ensure that training institutions increase their performance and cost-effectiveness. In effect, an attempt is being made to make them operate in a more efficient, effective and more 'market-oriented' way. More detail on this is provided in the section on IVT funding further down in this report.

With regard to continuing vocational training for the employed, the private sector has the dominant role, although the government continues to take some responsibility, through financially stimulating training in enterprises. At the central government level, it is not only the Ministry of Education, Science and Culture which contributes to the funding of continuing training but also the departments of Agriculture (Ministerie van Landbouw, Natuurbeheer en Visserij), of Economic Affairs (Ministerie van Economische Zaken) and of Welfare and Health (Ministerie van Welzijn, Volksgezondheid en Cultuur) for specific training areas.

While the private sector has a dominant role in the financing of continuing vocational training for employed people, there are numerous arrangements between the private and the public sector, leading to varying shades of mixed (private and public) involvement.

This mixed involvement has led to a number of developments including the creation of training networks, special funds and mechanisms for monitoring training demand and supply. There are many examples of such co-operation in continuing vocational training between the private (employers and employees, labour unions and sectoral organisations, training providers etc.) and public (national and local authorities, providers, monitoring institutes etc.) sectors. The shared responsibility for training and the process of seeking consensus on any controversial issues between parties that have conflicting interests (such as employers and employees), is a typical feature of Dutch society.

Training for the unemployed primarily belongs to the public sector, which provides most of the budget for the Central and Regional Employment Services and funding for 'second chance' education and training to integrate 'newcomers in Dutch society' (e.g. ethnic minorities, refugees). The Ministry of Social Affairs (Ministerie van Sociale Zaken en Werkgelegenheid) is the prime sponsor.

The most dominant developments with respect to the Central Employment Service have been the decentralisation process as well as a change of focus to the service that it provides. With regard to decentralisation, budgets have been delegated to the Regional Employment Services (RBA) and local governments allowing them to have a decisive say as to how these budgets are spent (including the element reserved for training). As mentioned, the Ministry of Social Affairs has withdrawn from the Central Labour Management Board (CBA) which is responsible for establishing the framework for the provision of training for the unemployed. As a result, training facilities for the unemployed are more closely linked with the Regional Employment Service. A further development has been the re-focusing of central government support and funding for specific programmes for target groups who have the greatest difficulty in (re-) entering the labour market (such as the BBSW measure discussed in Part 4 of this report). This has led to a reduction in the number of offices of the Regional Employment Service (RBA).

1.3 Legal background

The two laws that are relevant to the training structure in the Netherlands are the Education and Vocational Education Act (WEB) and the Labour Management Act. The WEB relates to initial vocational training and, to some extent, to continuing training for the employed. The Labour Management Act pertains to training for the unemployed. The financing of CVT is primarily related to the needs of industry and is dealt with in Collective Labour Agreements (CAO) by employer and employee organisations (the social partners).

1.3.1 The Education and Vocational Education Act (Wet Educatie en Beroepsonderwijs - WEB)

The Education and Vocational Education Act (WEB) came into effect on the 1st January 1996. The Act has virtually replaced all previously existing legislation on VET. The Act

relates to the following areas of VET: (initial) secondary vocational education (both the school-based and the apprenticeship track), CVT, and general adult education. The Act is meant to create a more integrated and transparent supply of learning facilities.

Compared with previous legislation, the WEB served to decentralise a number of responsibilities. Basic elements of the Act include the following:

1. A system of National Qualifications for vocational education and training was established and came into effect from 1st August 1997. Four qualification levels and two different qualification trajectories were created for initial vocational training (the four levels are defined in the IVT background). CVT and general adult education was also brought within a qualification structure. The aim was to establish a more transparent qualification structure in order to facilitate support from industrial sectors for vocational education. The recognition of specific trajectories leading to qualifications, which could be recognised as requirements for certain occupations, is expected to lead to an increased willingness of industry to invest in vocational education for youngsters and in the continuing training of their labour force. It is also foreseen that the transparency of the qualification structure will be combined with more flexible pathways to acquire skills. Training at vocational schools (ROCs), within apprenticeship schemes as well as informal training on the job, are all expected to lead towards recognised vocational qualifications.
2. All publicly financed schools had to merge to form Regional Training Centres (Regionale Opleidingscentra - ROCs) before the 1st of January 1998. Some exceptions were made for certain sectors (see the background to IVT for more detail). The rationalisation of provision into multi-sectoral training institutions was expected to ensure more individually tailored courses appropriate to labour market needs. Within the framework of the national qualification structure, the ROCs have some discretion over the learning-pathways they offer. They are also allowed to offer courses on a commercial basis in the same way as private training institutions for the free training-market. Training for certain sectors was excluded from this structure e.g. training for the agricultural sector is provided by AOCs (Agrarische OpleidingsCentra), for other specific sectors, training is provided by other institutions (Vakscholen).
3. The funding arrangements for institutions offering IVT (ROCs, AOCs and Vakscholen) are going to be changed. Until the year 2000, funding has and will be based on student attendance. As a result of the WEB, and from the year 2000, a certain amount of funding will depend on the outputs of these institutions. Output criteria will be based, initially, on the number of pupils leaving school with a diploma or a recognised qualification.

1.3.2 The Labour Management Act (Arbeidsvoorzieningswet)

The Labour Management Act came into effect in January 1991. This Act is based on the premise that the government and the two sides of industry will take joint responsibility for

labour management. The Labour Management Boards at both national and regional level (responsible for employment services) consist of representatives of employers' organisations, employees' organisations and the government (i.e. they are tripartite). This Act specifies the relative authority that the central and regional boards have, as well as the responsible central government and the regional/local governmental bodies. This law has been changed recently (December 1996) through the withdrawal of the central government from the Central Board (CBA); while at the regional level tripartite management continues on the Boards of the Regional Employment Service (RBA). As mentioned, the number of RBAs have been reduced from 28 to 15, while the responsibilities of Central and Regional Employment Services has become more oriented at unemployed people with the weakest position on the labour market.

1.4 Administrative background

The Financing Services Institute (Centrale Financiering Instellingen - CFI) within the Ministry for Education, Culture and Science plays a key role in the administration and financing of IVT. There is a complex but direct financing relationship between the CFI and the ROCs (the Regional Training Centres where IVT and CVT courses are provided).

For continuing vocational training, the most common administrative structure is based around the O+O funds (Ontwikkeling en Opleidingsfondsen/development and education funds). These are part of collective labour agreements in various sectors of the Dutch economy and aim to promote and stimulate continuing training in companies. The Ministry of Social Affairs, the Ministry of Economic Affairs and the Ministry of Health, Welfare and Sports also play a role in the financing of CVT. More detail will be given in the CVT section.

The Boards of the Regional Employment Service (RBAs) administer training for the unemployed. These boards, within the general framework set by the CBA and in close co-operation with regional and local governments, currently have a decisive influence on the funding criteria for training for the unemployed. The exact relationship between these different regional bodies and their choice of funding criteria differs, sometimes quite significantly, from region to region. More detail is provided within the section on training for the unemployed.

1.4.1 Administrative trends

As indicated previously, the major administrative trend in the Netherlands has been towards decentralisation. The laws that have been passed which govern vocational education and training have empowered regional and local bodies, while at the same time they have reduced the influence of the central government.

A second trend, which will be highlighted below, is a significant change in distribution mechanisms for IVT. ROCs, AOCs and Vakscholen, which provide IVT, have more autonomy in that they can decide how to spend their available budget. In addition, the principles that govern the way in which budgets are appropriated have changed. In the future, providers of IVT will be funded partly according to the number of pupils that actually have gained a qualification/diploma (it might also become dependent on the relevance of the education and training provided for the labour market).

With respect to training for the unemployed the government is encouraging the private sector to become more involved in sponsoring the training institutes and facilities that have, for the most part, been government sponsored in the past.

Part 2: Initial Vocational Training

2.1 Background information

2.1.1 Definition of IVT

As mentioned in the Preface, Initial Vocational Training (or MiddelbaarBeroeps-Onderwijs/Senior Secondary Education) consists of two different learning routes. The first route comprises mainly apprenticeship schemes while the second is predominantly school-based learning. Approximately one-third of pupils enrolled in IVT follow the apprenticeship-based scheme, while two-thirds undertake school-based courses. Apprenticeships are usually undertaken within one company with one contract being served, however more companies might share the responsibility in offering apprenticeships. Both the apprenticeship and school-based learning routes are equivalent; they lead towards the same set of four possible levels of qualifications, as follows:

- *Assistant* (Assistent). At this level people are provided with skills needed for performing easy and simple tasks. Training leading to this level of qualification lasts up to a year and is meant for groups in a weak position on the labour market.
- *Basic trade practitioner* (Basisberoepsbeoefenaar). At this level, trainees are qualified for occupational performance at a basic level. A related term to indicate this qualification level is 'starting qualification'.
- *Trade professional* (Zelfstandig beroepsbeoefenaar). At this level, participants are trained to be able to perform a full occupation in a self-supporting way.
- *Middle-management professional* (Midden-kader). For those who have achieved the *trade professional* qualification. At this level, participants would be trained, to some extent, in supervising other workers. Furthermore, additional training can lead to the 'specialist' qualification (specialist). Training leading to a level 4 qualification is intended to deepen the professional knowledge and skills in a specific occupation.

2.1.2 Administrative and funding structure

There have been two major developments in the financial administration of IVT providers in the Netherlands that are of relevance.

The first concerns the government's initiative to increase the involvement of the business community within IVT. At the beginning of the 1980s, the social partner groups started to alter their opinions concerning their responsibilities for vocational education and training. The Wagner Commission (1984) - a commission consisting of employer and employee organisations as well as members of the government - concluded that an increased involvement of the business community was desirable. The recommendations of the

commission resulted in an agreement on the principle that vocational education and training should be the joint responsibility of the state, training providers and the business community. As a result, the social partners became more influential in various committees advising the government on issues such as the development of sectoral professional profiles and formulating clear training targets (for instance, the number of apprenticeships to be offered in a given sector etc.). In addition, stronger commitment for the apprenticeship system was mobilised.

In 1990, the Rauwenhoff Commission recommended some new approaches for linking vocational education and training with the labour market. Two important recommendations were fully adopted. First, the introduction of a minimum level of qualification (level one - or the *assistant l*evel) and the attempt to provide everyone with, at least, this level. Secondly, the recommendation to allow VET institutions greater autonomy and more possibilities to form partnerships with the business-sector. Following the latter recommendation, the government, with the approval of the social partners and the VET field, started a number of reforms to the VET structure. This included rationalising provision through the merger of many public sector training institutions. Throughout the Netherlands, 46 ROCs had been created by the 1st January 1998 from the approximately 1900 public institutions, which had provided IVT and CVT in the past. In certain areas, the ROCs were formed from the integration of secondary VET schools, apprenticeship programmes and institutes for adult education. The newly created, multi-sectoral ROCs were allowed more autonomy in deciding their areas of training provision and were encouraged to become more market oriented and to compete with each other. Some limits, however, were placed on this autonomy in that they were all expected to offer courses in three fields i.e. the technical, economic/administrative and healthcare. The basic idea behind the creation of ROCs was to establish 'commercial' training centres with a regional identity.

Certain sectors remained outside of the ROC structure and area of responsibility e.g. agriculture, the shipping industry, furniture makers and the graphics sector. These sectors were excluded on the basis that their training needs could not be adequately met by the multi-sectoral nature of a ROC. Of those training institutions entitled to remain separate from the ROC structure, sixteen Vocational Institutes (Vakscholen) have been formally recognised and are legally entitled to offer vocational training outside of the ROC structure. Agricultural education and training is provided at twelve agricultural training centres (AgrarischeOpleidungsCentra - AOC).

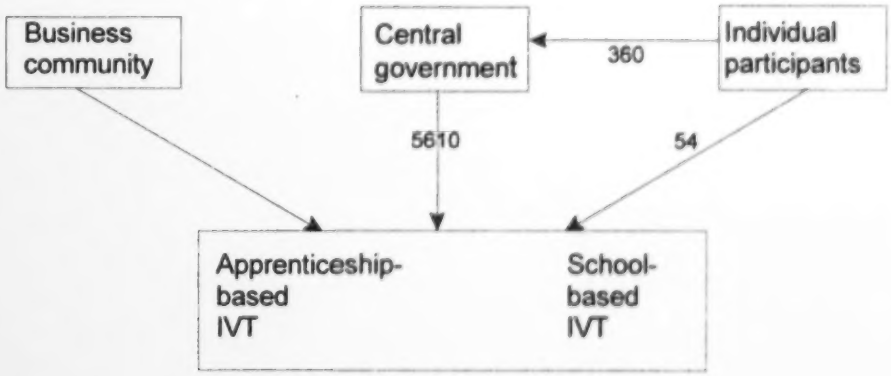
The second major change to the financial administration of IVT concerns the principles governing the funding of the Regional Training Centres (ROCs). The Act relating to initial vocational training (WEB - see legal background) is, in essence, a law which specifies the way in which the available funds for initial vocational training are to be distributed to the ROCs. The model underpinning this law does not specify the amount of money that is to be available, merely how it is to be distributed. The key innovation which differs from the pre-1996 funding system has been to seek a funding system that can also serve as a

steering instrument, i.e. policy instruments which create incentives for ROCs to reach a certain standard as defined by Dutch policy-makers. The guiding principle within the new funding system has been to increase the value-for-money of public sector expenditure on training. In effect, an attempt has been made to ensure that ROCs operate in a more efficient, effective and more 'market-oriented' way. The most important targets for ROCs are to:

- maintain an easily accessible system of initial vocational training;
- increase the efficiency of the system by reducing truancy and drop-outs;
- increase the number of pupils graduating;
- offer pupils relevant courses, which will assist them with finding employment when they have completed their training.

The way in which funding flows through the IVT structure is depicted in the figure below. As can be seen, the major funding originates from central government to the training providers (ROCs/AOCs). A much smaller%age of funds flows to the training providers from (a) the local authorities (municipalities) and (b) industry (on behalf of the apprenticeship based IVT). The figure also shows the amount of money involved in the flows (see also table 5).

Figure 1: Money flows through IVT-structure (1996) in Dfl



2.2 Funding sources

In funding IVT, both public (direct and indirect) and private funds are involved. The school-based form of IVT is exclusively funded with public funds (through direct subsidy). The apprenticeship-based form of IVT is also funded with public funds (direct and indirect) as well as private funds.

The most significant sources of funding for the school-based form of IVT originate from the central government with the principal source being the Financing Services Institute (CFI) within the Ministry of Education, Science and Culture. The second source within the central government is the Ministry of Agriculture, which is responsible for funding Agricultural Training Centres (AOCs) according to the same principles as ROCs.

As stated, the funding of apprenticeship-based IVT derives from public as well as private sources. The school-based part of apprenticeship training is funded in a direct way with public funds by the CFI within the Ministry for Education, Science and Culture. The work-based part is also funded, in part, by central government (Ministry of Finance) through the introduction of tax deductions for enterprises in 1996; i.e. enterprise tax can be reduced for employers hiring apprentices. Until the introduction of these tax deductions, the Central Labour Management Board (CBA) was involved in funding the work-based element of apprenticeship training.

There are two sources of private funding for IVT programmes, which include:

- Money from pupils enrolled in ROCs. Pupils enrolled in ROCs pay a fee: those in the dual learning-pathway (apprenticeship) pay this directly to the ROCs, those in other learning-pathways pay the Ministry of Education. *This fee is compensated through student grants and study loans schemes issued by the government.*
- Contributions from the business community in the form of salary or pocket money for pupils engaged in apprenticeship activities. This solely applies to the apprenticeship form of IVT.

2.3 Total levels of funding

The table below indicates the total level of funding for IVT. It is not possible to differentiate between school-based and apprenticeship forms of IVT in this table as most data sources do not make a distinction. The Ministry of Education, Science and Culture, however, has made a differentiation in funding in their budgetary overview of 1998. According to this, the direct funding from the Ministry of school-based IVT was Dfl 1,725 million in 1992 and Dfl 2,088.6 million in 1996. Funding by the Ministry for apprenticeship training was Dfl 532.8 million in 1993 and Dfl 498.5 million in 1996.[5]

[5] These figures do not include certain other costs, most notably the special social security benefits for personnel employed by the government (wachtgeld). Hence the figures quoted do not exactly match the total funding from the Ministry of Education in table 5, which include all cost items.

Table 5: Total amount of funding for IVT (in million Dutch Guilders and MECUs)

	1985		1992			1996		
Participation rates (1,000s)	n/a		451.8 (1993)			411.6		
Funding Source	Dfl.	MECU	Dfl.	MECU	%	Dfl.	MECU	%
Total Public Funding	4,264	(1,920.7)	4,281.5	(1,928.6)	**93%**	5,610.3*	(2,527.1)	**93%**
- Ministry of Education								
- direct funding			3,022.7		70%	3,580.7		64%
- study grants			1,258.8		30%	1,089.7		20%
- Ministry of Agriculture						553.9		10%
- Ministry of Finance						386.0		6%
Total Private Funding			357.7	(161.1)	**7%**	415.3	(187.0)	**7%**
- Fees paid to ROCs			51.3		14%	54.8		13%
- Fees paid to Ministry of Education			306.4		86%	360.5		87%
Total Funding	4,264	(1,920.7)	4,639.2	(2,089.7)	**100%**	6,025.6	(2,714.1)	**100%**

Source: www.cbs.nl/statline (1985) and www.minocw.nl (1992, 1996)

* As can be seen from the data presented in this table, public sector expenditure in IVT increased between 1991 and 1996 (including when the 1991 figures are up-rated for inflation) while participation declined. One tentative suggestion for this is that at the institutional level expenditure has increased due to personnel adjustments. More research is required to generate and test plausible alternative hypotheses to explain the increase.

A number of points should be noted regarding the figures provided within table 5. We have given figures for 1985 and 1992 instead of 1986 and 1991. Figures for 1992 are more comparable to the 1996 figures as they are from the same source (the Ministry of Education). The 1985 figure is from the Dutch CBS (Central Bureau of Statistics), 1986 figures are not available from this database. In general terms, the figures provided are an underestimate of the total amount of funding for IVT because they only represent figures on recurrent funding. No figures are available for capital funding. In addition, the amount

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of private funding from industry for apprenticeship-based IVT is not given. There is no systematic data on funding by industry of apprenticeship-based IVT available in the Netherlands at this time. For 1985, only the overall figure on public funding is available.

2.4 Mechanisms for the distribution of funds

The funding of IVT in the Netherlands is about to change from an input-based funding system to one that will also take into account the quality of the outputs from IVT institutions. At the current time the funding system, which has existed for the past decade, has been retained as a transitional measure. In this transitional system, the total number of students attending in any given year is the starting point for funding individual training institutions. From this, the number of teachers and support staff which individual institutions are entitled to is calculated on the basis of their student numbers. The Ministry of Education uses a fixed ratio of student attendance versus number of personnel, called the average personnel cost, to determine the amount of money an individual ROC will receive.

From the year 2000, the new funding system will be put into operation. As mentioned, this new system will determine the funding for IVT institutions on the basis of both input and output criteria. ROCs and other IVT providers are to be allocated funds on the basis of (a) the available government budget, (b) the number of students enrolled and (c) the number of diplomas that are acquired by students. Additional funds could also be available to finance support for students at the lowest qualification levels (the first two out of the four that are distinguished in the Preface to this report, i.e. the assistant and basic practitioner levels) as well as for trainees with a disability. The new funding system is expected to increase participation and maintain equity of access to training institutions for disadvantaged groups.

The WEB legislation does not specify the proportion of funding that should be distributed according to input and output criteria. The Act merely outlines that a too heavy reliance on output-related funding could result in reduced equity in terms of access to training institutions. In addition, relying too heavily on output-related funding could create financial instability for training institutions. The key concept underpinning the introduction of output-related funding in the Netherlands is the notion of rewarding 'added-value'. The notion of 'added-value' can be articulated as the increase in knowledge gained by individual trainees as a direct result of the training that they have received. The actual 'value' that is added can be estimated by comparing the qualification level of individuals at the start of the training course(s), with the type and content of the courses that have been followed, and the qualification level which the student has achieved after completion of the training. Training institutions which enrol lower qualified students will receive a larger allocation of input funding than institutes which enrol students with a higher level of qualification at the start of the training course.

The output-related element will be linked to the number of diplomas achieved by individual trainees within the training institution. When a trainee completes the diploma, the training institution will be allocated additional funds. If a student leaves the training without a diploma, then the training institution will only be allocated the input proportion of the available funding. The way in which 'added-value' will be implemented in the Netherlands, therefore, combines input funding per trainee with output funding. The current intention is to make 80% of ROCs funding based on inputs with 20% based on outputs.

2.5 Conclusions

As already indicated in the introductory section, since the early 1980s, the Dutch government has had a commitment to reducing its influence on society and giving more responsibility to individual citizens and non-governmental institutions and organisations. This policy has also been applied to initial vocational training and has fundamentally changed the administrative relationship between the training institutions, on the one hand, and the Ministry, on the other. The central question related to the financing of training has shifted from 'what has to be financed?' to 'how is it to be financed?'

In practice a system will be in use in which performance targets are set for training institutions. Those offering better quality (for instance low drop-out rates, fulfilling a high level of added-value for its students) will be rewarded: they will receive more funds than institutions that do not perform as well. The system is under intense scrutiny and has led to numerous debates by the parties involved while the old system is kept in place as a transitional measure. With the changing administrative relationship between government and training structures in the Netherlands, the question as to how investment in human resources should be accounted for has become increasingly important. The reason for this is that despite the level of autonomy being afforded to independent training institutes, especially regarding IVT and training for the unemployed, it is still public money that is being spent. Education and training has to fulfil the specific demands of our society (equal opportunities, equal chances for the disadvantaged, training which is relevant for the labour-market etc.) and training institutes - as well as ministries - will have to answer to the public as to how the money is being spent in relation to these demands. In fact, a training target system has been established in the Netherlands and social scientists are currently debating the best mechanism to measure a concept like 'added value'. In addition, an increasing amount of attention is being paid to the question as to whether certain training is relevant for the labour market. Pilot studies are currently being undertaken which aim to determine a feasible way to establish which training is relevant for the labour-market, and what the consequences should be if training proves to be ineffective (Romijn, 1997, Romijn and de Vries, 1998).

The basic premise underlying such changes is that specifying funding incentives for individual institutions will lead to better results from the Dutch vocational educational system as a whole, as indicated by: lower drop-out rates, more trainees acquiring a

diploma, and a reduction in costs as a result of institutions operating more efficiently. The validity of this premise has not, as yet, been systematically investigated. In the Netherlands, this is the first time such a financing system has been introduced for IVT (although such a system exists within Higher Education).

The question as to whether this new financing system will lead to improvements in the quality of the Dutch vocational educational system cannot be addressed in any systematic way. Some anecdotal evidence, however, indicates that the managers of training institutions foresee hard times in the near future. Many expect to incur financial losses and/or to make personnel redundant. As a result management and unions in the educational sector are trying to stall the implementation process and retain the current transitional measures.

Part 3: Continuing Vocational Training

3.1 Background information

The structure and financing of continuing vocational training (CVT) has, like IVT, been influenced by the recommendations of the Wagner Commission in 1984 and those commissions that followed it (see Part 2, IVT background section). The general recommendation of the commission, which applied to CVT as well as IVT, was to establish a joint involvement of state and the business community in the financing and administration of training and education in order to strengthen the link between training and the labour market. The level of involvement of each of these parties differs, however, depending on the target-group of the CVT, for example, training for employed persons is primarily the responsibility of the private sector. Public funding in this area of CVT is less significant and is mostly indirect through, for example, tax relief. Subsidies are also available for the provision of CVT in ROCs, although the amounts involved are less than the element of private funding.

Certain target groups within the workforce, however, are supported predominantly by direct public funds. An example of direct public funding is the General Training Measure (Kader Regeling Scholing - KRS), a programme funded by the Ministry of Social Affairs (Ministerie van Sociale Zaken en Werkgelegenheid). The aim of this programme is to offer those at risk of unemployment a tailor-made training programme to improve their chances on the labour market.

Private sector financing arrangements for training are often made within the context of Collective Labour Agreements (Collectieve Arbeidsovereenkomst). These agreements are made within each sector of the economy and are preceded by negotiations between employers and employees and last for a specified period of time (usually two years). Some of these sectoral arrangements might contain extra provisions to accommodate specific regional demands or circumstances. Financial arrangements in Collective Labour Agreements (CAOs) specifically pertaining to CVT are made through funds reserved for training and/or research and development. The most prominent of these funds are the O+O funds (Training, Research and Development Funds, Onderzoek en Ontwikkelingsfondsen). The creation of O+O funds were the result of the work undertaken by the Wagner Committee discussed above. The funds were established as a means to create a more solid foundation for training and to ensure that training became embedded within the various sectors of our economy (and the individual companies within these sectors). The fact that these funds exist is evidence that the social partners in the private sector have recognised the value of continuing vocational training for the economy and labour market and that they have taken responsibility for the implementation of a sustainable funding structure. However, implementing sectoral training agreements is often difficult, in particular for smaller firms (SMEs). Training initiatives from the sectoral

level do not always reach these firms. Industrial organisations have recognised this problem and are developing specific instruments to promote the implementation of training (V.d. Tillaart/Warmerdam, 1995). These are:

- instruments to ensure that employers and/or employees are aware of the training available in the sector and to encourage them to make use of it: this is done for example through publishing catalogues of the courses available, employing training consultants, subsidy schemes and by providing assistance for firms in devising training plans;
- instruments for bringing the supply of training appreciably closer to the firms, for example by providing courses in the firms themselves, the establishment of the regional training centres (ROCs) and contracting courses out to other training centres in the region.

The structure of the O+O funds are discussed in more detail in the section on CVT funding sources (see below).

In addition to the O+O funds, a second important form of private funding exists through the contributions of individual workers that enrol in training.

As the financing of CVT predominantly belongs to the domain of the private sector, there is no specific law or legal framework (other than those introduced in the background section of this portrait) governing CVT for the employed. As a result, there is also no separate public body designed for the administration of CVT.

3.2 Definitions

According to a broad definition coined by Hendriks and Westerhuis (1997), CVT for the employed is defined as all qualifying educational activities available to people who are employed, who have left IVT and are not subject to compulsory education. Using this definition, the following educational facilities can be seen as providers of CVT for the employed:

(a) part-time CVT courses - provided at ROCs;
(b) adult education - provided at ROCs;
(c) entrepreneurial education and training;
(d) private education; and
(e) corporate training.

In principle, all forms of training listed below will lead to (additional) qualifications in either one of the four levels of qualifications introduced in the IVT section.

Below we will give a short description of each these training modes.

(a) Part-time CVT

Part-time CVT is mainly taken by people who wish to improve their position on the labour market and those who prematurely discontinued their education during the initial phase but wish to obtain a diploma. Available courses and qualifications are identical to the full-time IVT-courses (i.e. technical education, agricultural education, services/health care education and economic-administrative education). The same two different learning routes are available as in IVT, the school-based and apprenticeship based CVT. Apprenticeship-based part-time CVT is popular among students over 27 years of age who are no longer eligible for student grants.

(b) Adult education

Within the framework of the WEB legislation, adult education is expected to serve two purposes. First, to fulfil the role of linking vocational education and secondary education. Secondly, to foster personal development of adults following adult education courses. In accordance with these targets, four levels of adult education are distinguished:

- general secondary adult education (Voortgezet Algemeen Vormend Onderwijs);
- training directed towards general social skills;
- Dutch as a second language;
- other training directed towards social self-sufficiency.

The educational goals are laid down in the adult education qualification structure. In this structure six levels are distinguished, each of them preparing for the levels in the vocational qualification structure, higher education and scientific education.

(c) Entrepreneurial education and training

Entrepreneurial training can be offered within an IVT context as well as a CVT context. The initial vocational training route is part of the IVT qualification structure and is offered by a ROC. The CVT route is meant for unemployed persons and those who wish to start their own company. Private institutes usually provide training programmes for these groups. Three types of entrepreneurial education exist: in the retail trade in various sectors, in the handicrafts and services sector, and general business knowledge.

(d) Private written and/or extra-curricular oral education

With respect to private education a distinction can be made between two types of provider:

- correspondence education (mainly 'written' courses by mail);
- courses provided by private institutions (mainly in classroom settings);

These two types of provider offer a wide range of courses and programmes. It is possible to follow a programme to prepare for a state-recognised diploma or for diplomas recognised by different business sectors.

(e) Corporate training

A common classification used by CBS (Central Bureau of Statistics) of corporate training programmes is as follows.

1. Courses

Corporate training can be in the form of courses, which take place away from the place of work (classroom, training centre), at which a group of people receive instruction for a period of time specified in advance. A further distinction can be made between internal and external training courses. Internal training courses are only accessible to the staff of the enterprise; external training is also accessible to persons employed by other enterprises (open enrolment).

2. On-the-job-training

This means training with the usual tools of work either at the immediate place of work or in an environment that closely resembles the normal work-situation.

3. Other training activities

These encompass:

- instruction at conferences, workshops, lectures, seminars;
- planned learning through job-rotation, exchanges, quality circles;
- self-learning (through open and distance learning courses, video/audio tapes, correspondence courses, computer based methods etc).

3.3 Funding sources

Throughout this portrait a distinction has been made between (direct and indirect) public funding sources and private funding sources. With respect to the various forms of CVT, the distinction between privately and publicly funded CVT approximates to the corporate/private training types that were listed in the previous section and the ROC based training (part-time CVT, adult education)/entrepreneurial training, respectively.

Corporate training is predominantly funded by private funding sources. This is done through funds which have been created solely for the purpose of promoting continuing vocational training within each sector of the economy (O+O funds - as outlined above). Public funding for corporate training is of less importance than private funding and is of an indirect nature (through, for example, tax measures). *Private written or oral training* is, by definition, privately funded, through the contributions of the individual participants.

Although no exact figures are available, corporate training tends predominantly to be provided by private training institutes, with ROCs having a minor share of the corporate training market. As can be expected however, the private institutes complain that ROCs

can charge marginal prices for training and therefore are at an advantage within the training market. There is a strong lobby originating from these institutes for the government to cancel the CVT subsidy available to ROCs.

ROC based CVT (*part-time CVT and adult education*) as well as entrepreneurial training are within the public domain and are therefore predominantly publicly funded. Private funds play a minor role through individual and enterprise[6] contributions to the ROCs.

The continuing vocational training of specific disadvantaged groups (e.g. those who are at risk of unemployment without training) in the workforce are targeted through direct public funds. This funding is met by the national government as well as the European Union through Objective 4 of the European Social Fund (ESF - 4).

There are, of course, certain exceptions that upset the above classification of funding sources. One significant exception is when the employer is the Dutch national government (for example, within the care sector) where they support and fund training through the O+O system. While the funding of training by the government as an employer could be legitimately called public sector funding, this report classifies it as private sector funding, since O+O funding is a typically private sector form of funding training. Below, the public funding sources will be discussed and then the private funding sources.

3.3.1 Public funding

(a) ROC based part-time CVT and (b) adult education

Both ROC based forms of CVT are funded by the Ministry of Education, Science and Culture, basically under the same legal regime as the initial vocational training funding system (namely the WEB legislation which became effective in 1996) described in the previous part of this report. The Ministry budget for 1996 showed expenditure for ROC based CVT totalling Dfl 777 million. In 1992, expenditure amounted to Dfl 605.1 million. There are no figures available for 1986.

(c) entrepreneurial training

As indicated above, entrepreneurial training is for those citizens (within or outside of the workforce) that are planning to start their own business. The Ministry of Economic Affairs funds these courses. In 1996, the Ministry budget shows that Dfl 1 million was spent on supporting these courses. The programme was not in force in 1991 and 1986.

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[6] While ROC-based CVT is predominantly publicly funded, as indicated, this does not preclude enterprises from buying training from ROC's.

(d) private education

Public funding for private education is often indirect. It occurs through tax incentives for individual citizens who follow CVT as well as for those companies that promote vocational training. Individual citizens are entitled to (a) benefits and/or (b) tax-deductions. The benefits are the child and supplementary child benefit. The benefits can be retained during the time an individual follows a study/training course and are available until the age of 27. The benefits are issued by the Ministry of Social Affairs. The individual tax-deductions (study expenses can be offset against tax) are met by the Ministry of Finance.

(e) corporate training

As with private education, individual companies can also offset their training expenses against tax. They can do this when providing vocational training to their employees and when hiring apprentices for apprenticeship-based CVT.

An exception to the indirect funding of corporate training is the availability of direct public subsidies within certain very specific sectors (e.g. the processing sector). This kind of subsidy is available for certain occupational groups and within sectors where it is not possible to either organise and/or fund training on a collective basis. The amount of subsidy over the years examined within this report is not known.

Training for specific groups within the workforce

A national government programme called the General Training Measure (Kader Regeling Scholing - KRS) attracts direct public funding. The aim of this programme is to offer tailor-made training courses to improve the prospects of certain groups on the labour market. This measure is targeted at those who are unable to sustain their current employment without further training and to certain groups within the unemployed (see Part 4). The measure is based on a reasonable expectation that training for these individuals will lead to a more secure and stable position for them on the labour market. In 1996, Dfl 115 million were spent through this programme (51.8 MECUs). A controlled study has been undertaken in one region in the Netherlands (West-Utrecht) in order to assess the effectiveness of the measure. For people at risk of becoming unemployed, the programme appeared not to have any added value (Koning, Zandvlied and Bokhoven, 1993).

The European programme (ESF – 4) aims to stimulate the training of people with no, or low, qualifications who are more likely to become unemployed. Within this programme it is also possible to target the unemployed. 55 million Dfl was spent in 1996. As a general rule, the Dutch government matches European Union funding. Given this, this programme was also supported by Dfl 55 million from the Dutch national government.

3.3.2 Private funding

Private funds usually support corporate training and private education, although public funds may play a role as indicated above.

Private education is funded by the individual payments of participants. A rough estimate of the level of funding is available only for 1992.

An important private funding source for *corporate training* is the collective funding system that exists within the context of collective labour agreements. These funds (O+O funds, see above for an overview) are used for the education and training of personnel working within the sector. Through contributing to these funds, individual companies are able to circumvent the typical 'prisoner's dilemma' of training: the dilemma which results in those companies which do not provide training being able to attract skilled workers from those enterprises which do train. As a result of this 'dilemma', all companies become reluctant to support training activities for their workforce for fear that the training could be of benefit to another company. The existence of the 'prisoner's dilemma' therefore can lead to under-investment in training by companies.

In describing the O+O funds, this report draws on a study undertaken by Waterreus (1997). The basic structural features of these funds are the following:

1. O+O funds are managed by representatives of both employer and employee organisations. Every fund has a staff that takes care of the administration of the fund (i.e. collecting and distributing money to training institutes and/or companies).
2. The funds have come into existence within the context of Collective Labour Agreements, and are meant to be used for the training of employees active in that given sector. It is also possible that certain categories of workers will be obliged to participate in training or that arrangements are made concerning the future position of workers after having followed training. In some sectors, special agreements are made for the benefit of specific target groups, such as women, employees with a low level of education and migrants.
3. The O+O funds are financed through a levy on the gross wage bill of the firms according to the individual sector.%age contributions to the O+O funds vary from 0.1% to 0.64%. In 1996 the income of O+O funds was estimated to be at least 350 million Dutch guilders, while expenditure averaged 290 million Dutch guilders (Hövels and Kraayvanger, 1996), i.e. the funds were generating a surplus.
4. O+O funds are fully recognised when they have been established through Collective Labour Agreements, they usually include arrangements for educational leave and an indemnification of expenses. A common way of doing this is through the allocation of collective 'training days'. Depending on the number of employees, each employer receives a certain amount of such days. The employer, in turn, decides what employees will be entitled to use these days. As a rule, an employer can allocate a

maximum of five days each year per employee. An alternative to this is the allocation of individual training days. In sectors where this is done, individual employees are entitled to a certain amount of leave for training purposes, usually one or two days each year to be 'consumed' at their own discretion.

5. In most cases funding covers expenses for the actual training course, however in some sectors the funds will meet a proportion of the wages for the days that employees are engaged in a training course.

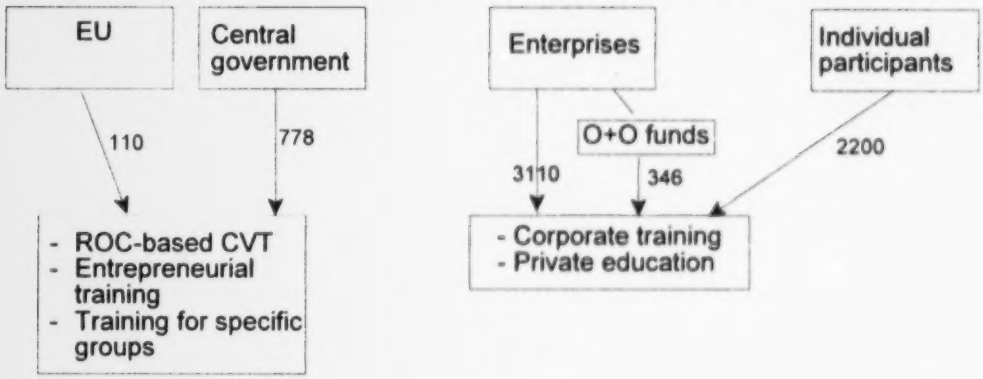
The largest O+O fund is that of the Metal and Electronic industry. The Foundation 'Education and Development' for the metal and electronic industry was established in 1983 as a response to the decline in the number of apprentices in the industry. The O+O fund is run jointly by the representatives of employers and employees. Other examples of O+O funds are:

- Manufacture of Metal Products. In the beginning of the 1980s the social partners in this sector agreed on a fund for training in this sector with 0.55% contribution of the total wage bill of individual enterprises. Furthermore, an educational leave arrangement was agreed. More detailed plans have been worked out by the different trades in this sector.
- In the Transport sector the employers contribute 0.95% of their gross wage bill to an O+O fund established in 1987.
- In the care sector for old people there is a fund, financed by the national government and the sector itself. The social partners manage this fund. One of the targets of the fund is to ensure coherence of educational and training policy with employment and labour-market policy.
- In the Educational sector various separate funds have been brought under one umbrella i.e. the Participation fund. Through this fund, CVT is ensured alongside with social security benefits and (re)employment agencies.

As already indicated most O+O funds are based on collective Labour Market Agreements (CAO). Exceptions are some special sectors, that are not organised along the lines of CAOs, e.g. the 'processing industry' and the 'economic-administrative sector'. As far as O+O funds exist in these sectors, they are predominantly financed by grants of the government or the Central Labour Management Board (CBA).

Recent figures (1994) indicate that 115 of the 134 Collective Labour Agreements (as investigated by the Ministry of Social Affairs) contained agreements on education and training. 76 Collective Labour Agreements contained detailed agreements on on-the-job education, training of employees (also employees belonging to specific target groups). Thus, the idea of the 1984 Wagner Committee to link training and the labour market through the O+O funding structures has taken a strong hold in the Netherlands. In figure 2 the money flows are depicted within the CVT training structure.

Figure 2: Money flows in financing CVT for the employed (1996)



3.4 Total amount of funding

In the table below the amount of funding is given for each of the funding sources that was mentioned above - if available - as well as the total amount of funding for CVT. As indicated, the public funding of CVT involves four national departments as well as the European Union. These are:

(a) The Ministry of Education, Science and Culture. This Ministry directly funds the ROC based CVT. Funding amounted to Dfl. 777 million in 1996 and Dfl. 605 million in 1992.

(b) The Ministry of Economic Affairs. This Ministry directly finances entrepreneurial training. In 1996, this funding amounted to Dfl. 1 million. Figures are not available for 1991 or 1986.

(c) The Ministry of Finance and the Ministry of Social Affairs. Both Ministries contribute to the financing of corporate training as well as to individual private training in an indirect way through tax reductions and the provision of other social benefits. There are no figures available as to the amount of funding involved.

(d) The European Union through its ESF - 4 programme. Certain groups within the workforce are targeted through this subsidy. Dfl 55 million was available in 1996. This amount was matched by the national government. Earlier figures are not available.

Private funding comes from three sources:

(a) From companies for corporate training. According to CBS estimates (1995), Dfl. 2,152 million was spent in 1986, Dfl. 2,981 in 1991 and Dfl. 3,456 in 1993.

(b) From O+O funds for corporate training. For 1995/96, rough estimates were made for this report through an inventory undertaken by Waterreus (1997). In 1995/96, the income of the funds amounted to Dfl 865 million. The funds vary enormously as to the proportion of this income that is spent on training activities (from 5% to 100%). Taking all of the funds together, which were included in Waterreus' study, an average of 40% of the income is spent on training or approximately Dfl 346 million in 1995/96.

(c) From individual participants within private education and training.

The figures outlined above are presented in the following table.

Table 6: Total amount of funding for CVT (figures given in X million Dutch Guilders and MECUs)

	1986			1991			1996		
Source	**Dfl.**	**MECU**	**%**	**Dfl.**	**MECU**	**%**	**Dfl.**	**MECU**	**%**
Total Public Funding	**n/a**	**n/a**	**n/a**	**605 (1992)**	**272**	**10**	**888**	**400**	**15**
– EU (incl. National funding)	n/a			n/a			110		14
– Ministry of Education	n/a			605			777		86
– Ministry of Economic Affairs	n/a			n/a			1		
Total Private Funding	**4,152**	**1,870.2**	**n/a**	**5,081**	**2,288.7**	**90**	**6,002**	**2,703.6**	**85**
– Funding by enterprises	2,152		52	2,981		59	3,456		62
– O+O funds							346		
– Participants	2000		48	2,100		41	2,200		38
Total Funding	**4,152**	**1,870.2**		**5,686**	**2,560.7**	**100**	**6,890**	**3,103.6**	100

Source: Hendriks, L and Westerhuis A (1997) and www.minocw.nl

Regarding this table the following should be noted:

(a) The data on funding by enterprises include; costs for hours not worked, costs for training personnel and other costs.

(b) The figures presented are an underestimate of the real volumes, since the amount of public (indirect) funding is unknown. The figures on the individual contributions are rough estimates, based on a calculation made for 1992 (Hövels and Kraayvanger, 1996). We have assumed that these contributions have increased somewhat over time.

(c) The number of participants in ROC-based CVT, in thousands, was 219.6 in 1993 and 203.8 in 1996.

3.5 Mechanisms for the distribution of funds

As indicated above, the public funding mechanisms for CVT are mostly all indirect (except for specific O+O funds which the government supports) and funds are distributed though

tax-deductions and specific benefits. In addition, some direct public funding is available for part-time CVT and adult education undertaken through the ROC system as well as for the KRS programme.

With regard to the specific benefits that are available for CVT participants, parents (for children up to 18 years) are entitled to child benefit; the age criteria can also be extended for an individual studying until the age of 27. A supplementary benefit is available for families in low-income groups. Individuals are also entitled to offset their training expenses against their income tax. For individual companies in the Netherlands training costs are also tax deductible. In addition, companies are able to claim financial support for the costs of employees' social security contributions while attending training.

With respect to private funding there is no uniform rule as to how the funds are distributed. From a recent study cited earlier (Waterreus, 1997) on O+O funds, three types of funding mechanisms can be distinguished. These are:

1. Awarding collective training days for a certain sector - companies in the sector are awarded a certain number of 'collective training days'. Depending on the number of employees, individual employers receive a certain allocation of these days. The employer, in turn, decides which employees will be entitled to use these days.
2. Awarding individual training days. In sectors where this is done, individual employees are entitled to a certain amount of leave for training purposes, usually one or two days each year to be 'consumed' at the employees own discretion.
3. Awarding comprehensive training programmes based on the training plan submitted by individual firms. In this case, to be eligible for funding, an enterprise has to draw up a training plan. Firms that apply can get a certain%age (e.g. 50%) of their training costs subsidised from the O+O fund. This is the customary procedure in the Metal and Electronics industry. For special groups, such as female employees, employees over forty and employees without a lower vocational education degree the subsidy can be higher. The plan should be submitted to the O+O funds within two months of approval of the Work Council. The following requirements have to be fulfilled: (a) the training activities have to be related to the human resource and organisation policies of the firm; (b) the plan should refer to special target groups such as female employees, employees over forty, and employees without a lower vocational education degree and (c) it should be specified how individual employees can express their interest in participating in training.

Taking the metal industry as an example: in 1989/90, 140 of the total 1,500 firms in the metal industry applied for a subsidy for a total of 9,000 individual courses, in 1990/91, 135 firms applied for subsidies for ad hoc, individual courses. Furthermore, in 1990/91, 210 firms submitted a training plan. These 210 firms represented about 105,000 employees of the total 250,000 employees in the industry (Rood, 1994).

3.6 Conclusions

In this concluding section to the CVT part of this financing portrait, we wish to briefly highlight three basic features of the Dutch CVT funding system. These are the following:

1. A distinguishing feature of the Dutch CVT system is that it is a collective system, where employer organisations and employees, through Central Labour Agreements, have taken responsibility for the provision and funding of continuing training for employees on a relatively large scale and on a voluntary basis. The government is involved, though mostly in an indirect way. The importance of training (and retraining) of personnel in order for them to secure their place in the Dutch workforce has been explicitly recognised by the social partners.
2. Although training for the employed is seen as important by employee organisations as well as employers and is promoted accordingly, there are doubts as to whether this notion sufficiently trickles down to small and medium sized enterprises (SMEs). Research[7] seems to confirm this notion and recommendations have been given to ensure the better promotion of sectoral training facilities to all companies within each sector.
3. The same applies for the implementation of the O+O funding structure. A number of funds exist that do not qualify as an O+O funds. One of the basic characteristics of these funds is that arrangements are made for employees to attend training courses during working hours. In a number of funds these arrangements have not been made, essentially making employees follow courses within their own time.

As was indicated in the introduction, we will return to the question of the effectiveness of the Dutch funding system when discussing the future trends and perspectives on financing vocational education and training.

[7] Tillaart, H. van der, J. Warmerdam (1995). Scholing in sectoren, Nijmegen: ITS.

Part 4: Training for the unemployed

4.1 Background information

Vocational training for the unemployed, until recently, was an integral part of the Dutch employment services.[8] The scope of the Dutch employment services comprised three elements: (a) the intake and registration of unemployed people, (b) adequately matching the unemployed with the available vacancies brought in by employers and (c) providing training to those that needed it in order to be successfully employed.

Until 1996, these services were provided within one institutional structure and were funded by central government by the Ministry of Social Affairs (Ministerie van Sociale Zaken en Werkgelegenheid). The administration of all of these services was the responsibility of Labour Management Boards. At the central level a Central Labour Management Board (Centraal Bestuur Arbeidsvoorziening - CBA) received funding from the Ministry of Social Affairs to provide these services through the 15 Regional Employment Services (Regionaal Bureau Arbeidsvoorziening – RBA). Both the CBA and individual Boards of the RBAs were managed on a tripartite basis until 1996, when the government withdrew from the Central Board. Tripartite management continues within the Boards of the RBAs.

In addition, a number of changes have been made to the services provided by the RBAs since 1996 and are ongoing. For example, the responsibility for matching the unemployed with available vacancies is now run as a separate corporate entity and is no longer within the remit of the CBA or the RBAs. Regarding the provision of training for the unemployed, some of the relevant budgets of the RBAs have been delegated to municipal governments. This change is very recent, although most of the budgets will have been delegated to municipal governments by the year 2000.

In terms of the provision of training for the unemployed the CBA and RBAs are responsible for two training facilities.

1. *Centres for Vocational Training (Centra vakopleiding - CV).* These were introduced more than twenty years ago and can be regarded as the principal internal training centres of the Regional Employment Services. The Centres for Vocational Training are targeted at job seekers (of any age) who are viewed to be unable to get a job without retraining. About 25,000 people a year participate in training within these Centres. One study indicates that the net effect of participating in this form of training is approximately 50% (measured as the%age of participants that find a job and discounting the%age of job finders within a control group. De Koning, Zandvliet and Knol, 1993).

[8] Anyone who is immediately available to the labour market for 12 hours a week or more can, and must, register at the Employment Service as being unemployed.

2. *Centres for Vocational Orientation and Practice (Centra voor Beroepsorientatie en Beroepsuitoefening - CBBs).* These Centres aim to improve the position on the labour market of people who, because of social or cultural circumstances, are in a disadvantaged position. Courses aim at enlarging knowledge, skills and social resistance. They generally consist of an orientation period of 8 weeks and a practical training period of 12 months, which is the maximum time spent within this form of training. The average duration is five months.

The CBA is responsible for the operational framework for these facilities, for example setting the tariffs for different training courses within the individual institutions maintained by the RBAs.

The Centres for Vocational Training (CVs) and the Centres for Vocational Orientation and Practice (CBBs) are the sole training providers in those regions where an RBA continues to receive a budget allocation for training the unemployed. At the current time this also applies to the purchasing of training for the unemployed where the RBAs' budget for this function has been delegated to the municipal government. It is planned that from the year 2000, municipal governments will be able to purchase training for the unemployed from *any* training provider. This will mean that both the CVs and the CBBs will have to compete with other providers (e.g. ROCs and private institutions) in order to maintain their position. Whether they will be able to do so is an open question at this time.

In the future, the remaining responsibilities of the CBA and RBAs with regard to the provision of employment services will be limited. Their current responsibility for registering unemployed people will also be integrated with the Social Security Services (Sociale Diensten) which issue unemployment benefits. The aim is to create Centres for Work and Income (Centra voor werk en inkomen) to combine the basic functions of supporting the unemployed while they are without work and assisting them to re-enter employment. Representatives of municipal government, social security services and RBAs will administer these Centres.

The reduction in the responsibilities of the CBA and RBAs with regard to Dutch employment services reflects a change in government intervention for training the unemployed. The Ministry of Social Affairs is making more direct interventions to reduce the number of unemployed. For example, the budget that became available through reducing the number of RBAs (from 28 to 15) has been used to create subsidised jobs (so-called Melkert I and II jobs[9]). The focus of the CBA and RBAs regarding training for the unemployed in the future will be the delivery of specific and targeted central government

[9] Companies and governments can hire personnel at quite low costs when hiring anyone belonging to traditional unemployed target groups (long-term unemployed, young unemployed, immigrants etc.). The Ministry of Social Affairs funds the participating companies and government organisations directly.

programmes such as the 'trade-wise training for the unemployed' (BBSW) and 'general training measure' (KRS), outlined below.

In addition to central government funding for training for the unemployed, the European Union has launched various programmes targeted at reintegrating the unemployed, especially the long-term unemployed. More detail is provided below.

4.2 Funding sources

As was indicated above, CVT for the unemployed is provided at the current time by the *Centres for Vocational Training and the Centres for Vocational Orientation and Practice*. Both are funded by the central government from the Ministry of Social Affairs via the CBA and RBAs (or through the purchasing of training where training budgets have been delegated to municipal authorities – this element is outside of the figures within this part). Estimates of the amount of funding involved have been made on the basis of multiplying the number of individual cases that were admitted to the unemployment training facilities (the CVs and the CBBs) with the amount of money attached to training each participant. The figures date back to 1985 and were obtained from an internal report of the Central Labour Management Service. Using these data the funding in 1986 amounted to Dfl. 664 million (301 MECUs), in 1991 it amounted to Dfl. 1,177 million (535 MECUs) and in 1996 to Dfl. 885 million (402 MECUs).

The second major funding sources are the various programmes launched by the Dutch government and the European Union. While the CBA and RBAs administer these programmes, ROCs, CVs, CBBs or private training institutions can provide the training.

The specific programmes funded by central government include the following:

(a) The BBSW (trade-wise training for the unemployed or 'bedrijfstakgewijze scholing werkzoekenden'). This programme was launched by the government to stimulate various trades in our economy to solve sector specific labour market problems (for example long-term unemployment) in co-operation with the Central Labour Management Board (CBA) and the Boards of the Regional Employment Service. The programme serves as a supplement to existing measures to stimulate training, for instance, the KRS (General Training Measure or 'Kaderregeling Scholing' – see below). Only training programmes with a realistic aim of realising job opportunities for the unemployed are supported. The criteria for what is 'realistic' are determined within each sector and are highly diverse. In 1996, Dfl. 70 million were spent on this programme (31.5 MECUs).

(b) General Training Measure (KRS). This programme is intended for unemployed people (it also targets employed people at risk of unemployment, this aspect is discussed within the CVT section). The programme aims to provide unemployed people with an individual tailor-made training course in order to improve their chances on the labour

market. Funds are awarded when there is a reasonable expectation that training will lead to a stable position within the labour market. In 1996, Dfl. 115 million were spent on the programme (51.8 MECUs). A controlled study has been undertaken in one region in the Netherlands (West-Utrecht) in order to assess the effectiveness of this measure. The programme appeared effective: 70% of those enrolled found a job against 40% in the control-group (Koning, Zandvlied and Bokhoven, 1993).

The European programmes are:

(a) ADAPT. This is a programme specifically designed to stimulate, through training, technological innovations in SMEs. There are no data available on its effectiveness. In 1996, Dfl. 24 million (10.8 MECUs) were available to the Netherlands.

(b) EMPLOYMENT. This programme is similar to ADAPT (as well as Leonardo discussed below), but directed at specific target groups (women, handicapped persons and the young). In 1995, Dfl. 16 million (7.2 MECUs) were available.

(c) LEONARDO. This programme aims to solve social, economic and technological obstacles that prevent more coherence in the European Union. In 1996, Dfl. 10 million (4.5 MECUs) was available.

In the table below, the total amount of funding is given on training for the unemployed for the years 1986, 1991 and 1996. It should be noted that the figures for 1986 and 1991 are an underestimate, as data on the national and European programmes applicable to those years are not available.

Table 7: Total amount of funding for CVT for the unemployed (figures given in X million Dutch Guilders and MECUs)

	1986			**1991**			**1996**		
Participants (1,000s)	97			165			130 (1994)		
Source	**DFL**	**MECU**	**%**	**DFL**	**MECU**	**%**	**DFL**	**MECU**	**%**
Public Funding	**664**	**299**		**1,177**	**530.1**	**100**	**1,170**	**527.0**	**100**
- EU	n/a			n/a			50		4
Ministry of Social Affairs:									96
- *Direct funding*	664			1,177			885		
- *Programme funding*	n/a			n/a			235		

Source: CBA (1997)

4.3 Mechanisms for the distribution of funds

At the current time training for the unemployed can be broadly distinguished according to two different routes. The first one is through the RBAs (and in some areas the local municipal government) with the provision of training by the Centres for Vocational Training (CVs) and the Centres for Vocational Orientation and Practices (CBBs). The second route is through national and EU programmes, as outlined above. The distribution mechanisms for these two routes are discussed below.

The way funds are distributed to the CVs and CBBs is closely related to the labour management administration in the Netherlands. The Central Labour Management Board (CBA) and the Boards of the RBAs, at the current time, have the authority to decide on the basis of labour market trends what type of vocational education for the unemployed will be provided and financed on behalf of the government. The CBA has its own financial resources (provided by the Ministry of Social Affairs) to do this. Furthermore, the CBA has the authority to decide how funds for training in various central ministerial budgets should be distributed. The ministries concerned are Education and Science, Agriculture and Economic Affairs. This money is usually earmarked for certain types of training and the CBA decide how it is to be spent.

Depending on its analysis of the labour market, the CBA may opt for a national distribution of its budget for training the unemployed or give the Boards of the individual RBAs the authority to fund training at the regional level. In the latter case, the CBA draws up a national framework policy that sets out the priorities and budgets for the RBAs.

As indicated in the background to this section the role of the CBA and RBAs are changing. The authority to make decisions on the distribution of funds for training the unemployed is gradually being transferred to the local (municipal) level. The influence of these traditional, specifically labour market management bodies that have constituted and provided Dutch employment services have been, and will be, significantly reduced. In the future, the distribution of funds for training the unemployed will be the responsibility of municipal governments.

The government training programmes discussed above (BBSW, KRS) all have elements of performance related funding mechanisms. In all cases, funds are distributed to the chosen training institution after a plan for the training has been submitted to and approved by the Central Labour Management Board. Together with the opinion of the relevant Regional Board, the CBA will try and determine, whether:

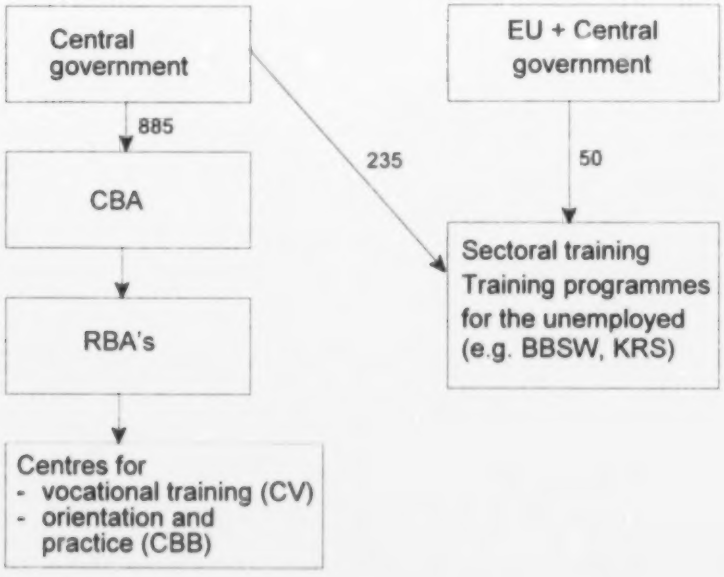
- the training realistically will lead to the unemployed having a better chance in the labour market. These assessments are highly diverse and specific for each of the sectors involved.

- the training itself is being administered in an efficient way and sufficient use is made of the existing training infrastructure;
- there are enough unemployed in the given region who can participate in the training.

It should be noted that under the national as well as the European programmes, it is not the specific training institutes (public or private) which are funded, but the programme. Any training institute is eligible to bid for funding for training of the unemployed on specific programmes as long as it can guarantee training of a good quality. There are no data on the actual distribution of the funds from these programmes among public (ROCs, CV, CBBs) and private training institutes. There are also no data on what exact distribution mechanism is followed (per course or per trainee). The quality and effectiveness of the training, however, are periodically evaluated through evaluation research.

In figure 3 the money flows are depicted within the CVT for the unemployed training structure.

Figure 3: Training for the unemployed money flows (1996 in million Dfl)[10]



[10] By the year 2000, the Ministry for Social Affairs within central government will fund municipal governments for providing training for the unemployed.

4.4 Conclusions

A number of points with respect to training for the unemployed are highlighted below.

CVT for the unemployed is being provided with public funds, no private funds are involved. Public funding occurs in two ways. The first one is through the funding of training facilities specifically designed for the unemployed (CBBs and CVs) via the CBA and the Boards of the RBAs. The second is funding through specific programmes.

The most significant development with respect to the provision of employment services is the decentralisation process. An important consequence of this decentralisation process is that, at the central level, responsibilities have been transferred from the CBA and, at the regional level, the RBAs will lose the monopoly position they have in providing training for the unemployed.

This process has immediate consequences for the principles underlying funding as well as the funding mechanisms. In the future, municipal governments will decide the way in which funds will be distributed and the basis for that distribution. As a result, the basis for the distribution of funds and the institutions involved in training for the unemployed is likely to vary considerably between different municipalities.

The implications of the institutional competition, which will exist from 2000 for training the unemployed, for the Centres for Vocational Training (CVs) and the Centres for Vocational Orientation and Practice (CBBs) are uncertain. From 2000 they will have to compete with ROCs and private training providers for a share of the market for training the unemployed and for funds from municipal authorities.

Part 5: Future trends and perspectives

Below is a summary of funding for initial vocational training, continuing vocational training and training for the unemployed in the Netherlands. Some conclusions follow this table.

Table 8: Summary of funding for VET in the Netherlands

	1986	1991	1996	Change
	Mecu	Mecu	Mecu	%
PUBLIC FUNDING				
- *IVT*	1,920	1,928	2,527	31
- *CVT*	--	272	400	47
- *Unemployed*	299	530	527	76
TOTAL PUBLIC FUNDING	**2,219**	**2,730**	**3,454**	**55**
PRIVATE FUNDING				
- *IVT*	--	161	187	16
- *CVT*	1,870	2,288	2,703	45
TOTAL PRIVATE FUNDING	**1,870**	**2,449**	**2,890**	**55**
TOTAL FUNDING	**4,089**	**5,179**	**6,344**	**55**

In the text above, an outline has been given of the flows, volumes and mechanisms of investment in training human resources in the Netherlands. In addition, a number of key developments have been outlined with regard to the political, legislative and administrative issues. In this last section of the portrait we would like to touch upon two things. First, we will highlight the major developments that have shaped, and will continue to (re)shape, the modes of funding vocational education and training. Secondly, we would like to review some data on the effectiveness of the funding schemes.

Improving the effectiveness of the Dutch VET system (i.e. assuring sufficient or improved training quality while reducing costs) has been the main driving force behind the shaping of the funding system and the changes that have been made. Have these objectives been reached? For example, will CVT for the employed be promoted as strongly when economic conditions are adverse? Within the context of this portrait, we will only highlight

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these issues by contrasting available data on the effectiveness of IVT and CVT, with the data on funding, as these have been presented above.

As is clear from the previous parts of this report, the area of human resource development - especially initial vocational training and training for the unemployed – has changed, due to the government delegating parts of its responsibilities to non-governmental organisations (such as ROCs) and municipal governments.

With regard to **initial vocational training**, two major changes have taken place. The first is that larger training centres have been formed from a myriad of small and highly diverse schools offering (initial) vocational training. As a result, the Regional Training Centres (ROCs) and Agricultural Training Centres (AOCs) were created. Secondly, the administrative relationship between the government and institutes providing vocational training has changed profoundly. In the near future, funds will be distributed using a system in which performance targets are set for training schools. Those offering better quality (for example low dropout rates, the creation of a high level of added value for its pupils) will be rewarded: they will receive more funds than schools who do not perform as well. The new system is currently under intense scrutiny and is debated by the parties involved as the old system is kept in place as a transitional measure.

With regard to **training for the unemployed**, similar developments are taking place. Services, which were the responsibility of the Central Labour Management Board (CBA) and Regional Employment Services (RBAs), are being delegated to corporate bodies or are being transferred to municipal governments. At the current time, budgets for training the unemployed within the RBAs are gradually being transferred to municipal governments. In addition, the training facilities (CVs and CBBs) will be expected to compete with other training institutions such as ROCs and private institutions for municipal budgets for training for the unemployed. This will mean that the CBA and RBAs will lose their monopoly position in servicing the unemployed. How municipal funding will be distributed, to what institutions, and on what grounds, will be decided by municipal governments. As a result, it is likely that funding decisions and mechanisms will vary considerably between different localities.

At the national level, the trend for training the unemployed is towards funding specific programmes with specific targets. The government (for some programmes, the European Union matches national funding) finances training for the unemployed through government programmes specifically tailored to address unemployment within given sectors of the economy. The CBA and the Boards of the RBAs continue to administer these specific programmes.

With the administrative relationship between government and training structures changing as they have in the Netherlands, the issue as to the accountability for investment in human resources is becoming increasingly important. Regardless of the level of autonomy which

is being granted to training institutes, especially for IVT and training for the unemployed, it is still public money that is being spent. The training institutes as well as the national ministries remain answerable to the Dutch public as to how money on training is being spent and whether the expenditure is being targeted in a way that meets social demand (for example, ensuring equal opportunities, guaranteeing equality of access for the disadvantaged, as well as providing training which is relevant to the needs of the labour market). For these reasons, a target system for a minimum level of qualification, which should be achieved by everyone, is currently in place in the Netherlands.

Many of the reforms have sparked a series of debates amongst social scientists in the Netherlands. For example, regarding concepts like 'value-added' and how it can be measured is currently under discussion. An increasing amount of attention is also being paid to the question as to whether certain training is relevant for the labour market. Pilot studies are examining ways in which to determine whether a given training course is relevant for the labour market and what the consequences should be if training did not prove to be effective (Romijn, 1997, Romijn en de Vries, 1998).

A distinguishing feature of **continuing training for the employed** (CVT) is that the system in essence is voluntary, i.e. there is no specific law governing the provision of this type of training. Within each sector of the business community, funds are made available specifically for the training of employees. These O+O funds are based within Collective Labour Agreements between employer and employee organisations. The existence of these funds, especially in large firms, assures that continued attention is given to the training and retraining of employees.

The important question is whether the funding systems, discussed above, are realising their aims and the objectives of policy makers. Some broad comments are outlined below.

As stated in the Background section to this report, since the 1980s the government has been concerned with trying to reduce overall public sector expenditure and to make public sector services more effective. The general objective within this aim was to be able to lower taxation and thus make the Netherlands more competitive.

With specific reference to VET, this policy has translated into the notion - first formulated by the Wagner commission in 1984 - that the training of students is effective when it is relevant to the needs of the labour market. The Commission proposed several ways to link education and the labour market. The way IVT, CVT (for both the employed and unemployed) are being funded reflects this policy. IVT has an apprenticeship-based component leading to the same qualifications as the school-based route and is, in part, funded by industry. CVT for the employed is promoted through sector specific funds; thereby ensuring that training is relevant for each given sector. CVT for the unemployed bears the same characteristics: the BBSW measure is tailored to help solve sector-specific long-term unemployment. In addition, new funding mechanisms are being introduced such

as performance related funding. With regard to IVT, training institutes will be paid depending on the progress of individual students in achieving their qualifications while ensuring at the same time that these are relevant for the labour market.

As to whether these policies have been effective, we will highlight the following notions.

Regarding the changes to funding IVT, it is too soon to tell if the new funding system leads to the desired effects. A major shift in funding strategy has only recently been introduced in 1996 as the new law on IVT came into effect. Certain funding elements, such as performance related funding, await implementation. Furthermore, comprehensive data on the cost effectiveness of IVT are not available. A longitudinal study with which the (cost) effectiveness of the new IVT funding system can be assessed is currently being planned.

The funding system for CVT for the employed was, among other things, designed to combat the problem of under-investment. Employers' investments into CVT have been too low as evidenced by the fact that the O+O funds are carrying surpluses. The under-investment may be due to the fear that training personnel can be to the benefit of competitors, on the one hand, and the loss of trained personnel to other companies before the company, which has supported the training, has reaped the benefits of the investment, on the other. From the figures outlined within the part 3 (CVT for the employed), the surpluses that still exist in these funds seem to indicate that under-investment in training still exists, although there are indications that within some of the funds the reserves are being depleted.

Regarding CVT for the unemployed, it can be seen from the data presented in part 4 that the expenditure of the CBA and RBAs on their facilities has decreased due to the lower number of enrolments within these facilities. This seems to be the result of a general fall in the number of unemployed due to a more favourable economic climate. Controlled studies that have been undertaken seem to indicate that the facilities are effective. Several studies consistently show that unemployed people who follow the types of training discussed in part 4 are more likely to find a job than those within the control groups who do not participate in the training.[11]

To sum up, the Dutch system of financing training has changed substantially over recent years due to new political, economic and social priorities concerning both training and funding principles. Whether the policies will achieve what is hoped for, i.e. a better quality of training, reduced costs and training relevant for both workers and employers, is an open question at the current time.

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[11] De Koning J. and van Nes, P. Evaluatie van CBB: bereik en plaatsingseffecten. Rotterdam:NEI, 1990; Meulenbeld, J. Boucher, P.W. en van Dijk, M. Evaluatie van het CBB: het intern functioneren. Rijswijk: Ministerie van Sociale Zaken en Werkgelegenheid, 1990.

Annex 1: Glossary of acronyms

AOC	Agricultural Training Center (Agrarisch Opleidingscentrum)
BBSW	Tradewise training for the unemployed (Bedrijfstakgewijze Scholing voor Werkzoekenden
CAO	Collective Labour Agreement (Collectieve Arbeidsovereenkomst)
CV	Centers for Vocational Training (Centra Vakopleiding)
CBA	Central Labour Management Service (Centraal Bestuur Arbeids-voorziening)
CBS	Central Bureau of Statistics (Centraal Bureau voor de Statistiek)
CBB	Centers for Educational Training and Practice (Centra voor beroeps-orientatie en beroepsbeoefening)
CVT	Continuous Vocational Training (Scholing voor werkenden)
GDP	Gross Domestic Product (Bruto Binnenlands Product)
ESF	European Social Fund (Europees Sociaal Fonds)
IVT	Initial Vocational Training (Initieel Beroepsonderwijs)
KRS	General Training Measure (Kaderregeling Scholing)
O+O fund	Training and Development Funds (Opleidings- en Ontwikkelings-fonds)
RBA	Regional Employment Service (Regionale Bureau Arbeidsvoorziening)
ROC	Regionale Opleidungscentra
SME	Small and Medium-sized Enterprises (Midden en kleinbedrijf)
VET	Vocational Education and Training (Beroepsonderwijs en volwasseneducatie)
WEB	Law on Adult Education and Vocational Training (Wet op de educatie en het beroepsonderwijs)

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Financing portrait

This financing portrait constitutes the Dutch contribution to CEDEFOP's series of VET financial portraits for EU Member States.

The financing of vocational education and training (VET) in the Netherlands is about to undergo some dramatic changes. In all three realms of VET covered in this publication (initial vocational training, continuing training for the employed, and training for the unemployed), basic funding mechanisms will change. The overall aim of these changes is to raise the quality of the Dutch vocational educational system by introducing output-related criteria as one of the basic funding principles. This publication covers these changes and provides some background to them. It also describes the level of financial involvement of public and private bodies within the VET system and developments that are likely to occur in the near future.

This portrait will prove interesting reading for policy-makers contemplating changes to existing financing models as it indicates what the consequences of such changes might be.

Clemens Romijn

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